



**Scannell Wealth Report**  
**June 22, 2009**

**The Markets**

Popular wisdom about life says, “It’s the journey, not the destination.” In successful long-term investing, it’s just the opposite.

The financial markets contain short-term traders and long-term investors. Short-term traders focus on the day-to-day journey, not the destination. To them, it’s all about making money in a quick trade.

Long-term investors keep their sights firmly fixed on the destination. They understand that month-to-month fluctuations are normal and expected. Rather than selling during a brief period of turbulence, long-term investors tend to ride out the storm and wait for better weather to return.

Interestingly, traders and investors work synergistically in order to create opportunities for the other to make profits. Here’s how.

Since traders are short-term focused, they tend to buy and sell frequently. If a large group of traders decides to sell at about the same time, we may end up with a bear market low similar to what we just experienced leading up to March 9, 2009. That type of selling could create an opportunity for longer-term investors to swoop in and buy the potential “bargains.” As the longer-term investors step in to buy, that may lift prices and pull the traders back into the game.

Conversely, if traders end up pushing prices to the stratosphere, that may persuade longer-term investors to take some profits, which could push prices down and give the traders an opportunity to profit again by shorting the market. The cycle then starts all over again.

Of course, neither traders nor long-term investors can perfectly time their buys and sells. The point is simply that the markets can accommodate both. And the fact that the various market participants have different time horizons helps create profit opportunities for each of them.

<b>Data as of 6/19/09</b>	<b>1-Week</b>	<b>Y-T-D</b>	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
Standard & Poor's 500 (Domestic Stocks)	-2.6%	2.0%	-	-9.4%	-4.0%	-3.7%
DJ Global ex US (Foreign Stocks)	-3.7	13.2	-35.4	-6.6	2.1	0.5
10-year Treasury Note (Yield Only)	3.8	N/A	4.2	5.1	4.7	5.9
Gold (per ounce)	-0.2	7.5	3.6	17.9	18.8	13.7
DJ/AIG Commodity Index	-2.0	7.7	-44.6	-8.9	-2.9	4.6
DJ Equity All REIT TR Index	-6.5	-12.2	-47.3	-16.9	-2.5	N/A

Notes: S&P 500, DJ Global ex US, Gold, DJ/AIG Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT TR Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance, Barron’s, djindexes.com, London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not available.

**WILLIAM SHAKESPEARE WROTE**, “Neither a borrower nor a lender be.” Money manager Doug Kass took some liberty and used Shakespeare’s cadence to state a new phrase, “Neither a bull nor a bear be.”

As a financial advisor, we spend time doing research so we can be as prepared as possible to do a good job managing your financial situation. As part of this research, it’s easy to start forming an opinion about whether we are in a bull market or a bear market. However, having a stubbornly strong bullish or bearish opinion may actually be detrimental to successful investment management.

There are two potential problems with taking a strong bullish or bearish stance. First, when you take a strong stand like that, you tend to seek out evidence that corroborates your bias and then discount contrary evidence until it’s too late. For example, if we were really bearish, it’s human nature that the headlines that scream, “S&P 500 Heading to 600” would draw our attention. By reading those stories, it would make us feel good and help “convince” us that our position was “correct.” Bullish stories would get scant attention since they didn’t fit with our pre-existing bias.

A second problem with taking a strong stance is your bias could turn out to be wrong. By taking a strong stand, you are effectively trying to predict the future, which is no easy task. If your bias is wrong, stubbornly sticking to an incorrect viewpoint could be very costly as the market runs in the other direction and you are left behind.

Is there a better way? Try being a realist.

Realists keep an open mind. They may have an opinion about the future but they are not wedded to it if new information suggests something is changing. Instead of trying to predict the future, realists analyze new information as it arrives based on its merits. Instead of just reading stories that support their bias, realists read various viewpoints and get a more balanced view. Ultimately, realists are willing to embrace change as appropriate rather than waste precious time and energy defending a “known” that may no longer be relevant.

To summarize, “Let’s be real!”

### **Weekly Focus – Think About It**

“The pessimist complains about the wind; the optimist expects it to change; the realist adjusts the sails.” -- William Arthur Ward

Best regards,

**Timothy Scannell, CPA, CFP®**  
**Scannell Wealth Management Group**

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we’ll ask for their permission to be added.

\* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

\* The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks.

\* The NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System.

\* The Dow Jones World (Ex. U.S.) is an unmanaged group of securities considered to be representative of the non-U.S. stock market in general\* The NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. \* The Dow Jones World (Ex. U.S.) is an unmanaged group of securities considered to be representative of the non-U.S. stock market in general. \* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.\*To unsubscribe from the Weekly Market Commentary, please reply to this e-mail with “unsubscribe” in the subject line.

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